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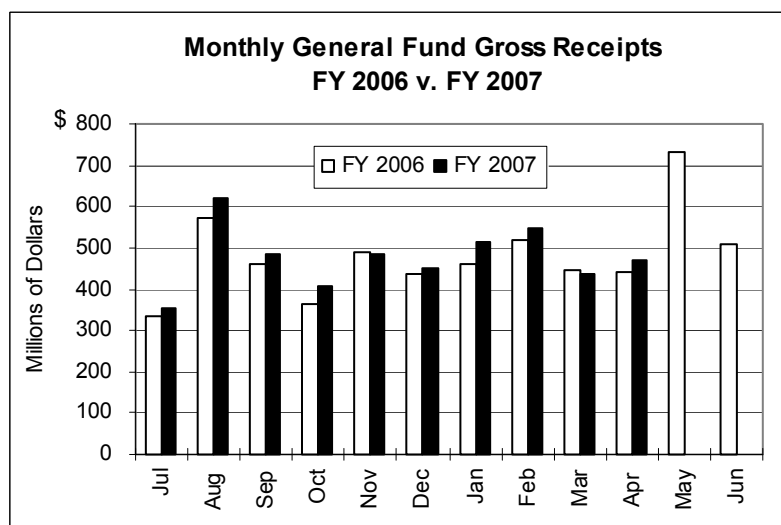
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: May 4, 2007

### Monthly General Fund Receipts through April 30, 2007

The attached spreadsheet presents year-to-date FY 2007 General Fund receipts, with comparable figures for actual FY 2006. The figures can be compared to the FY 2007 estimate of \$6.109 billion set by the Revenue Estimating Conference (REC) on April 6, 2007. The FY 2007 estimate is an increase of \$338.4 million (5.9%) compared to actual FY 2006 gross cash receipts (excludes refunds, transfers, and accrued revenue changes). The next REC meeting has not been scheduled.



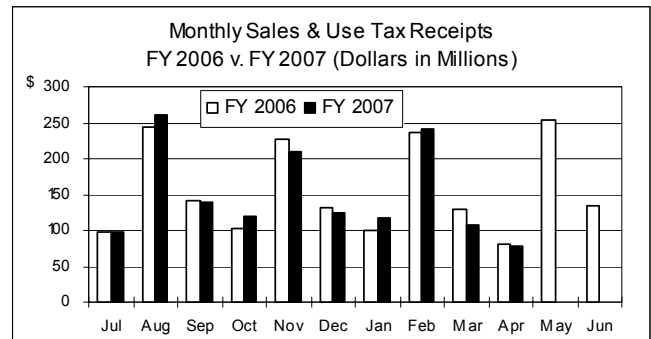
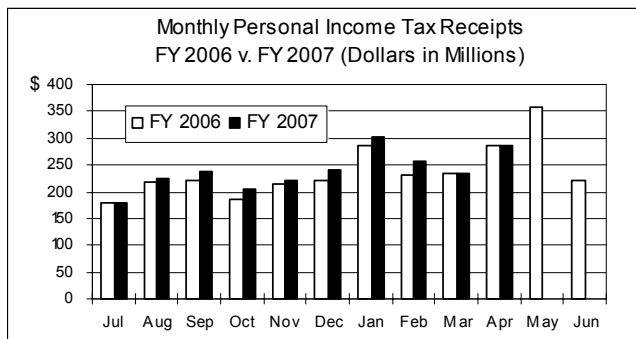
### FY 2007 Compared to FY 2006

Fiscal year to date, total gross cash receipts increased \$244.0 million (5.4%) compared to FY 2006. Major revenue sources contributing to the change include:

- Personal income tax (positive \$114.5 million, 5.0%)
- Sales/use tax (positive \$5.3 million, 0.4%)
- Corporate tax (positive \$87.9 million, 37.6%)
- Other taxes (positive \$16.2 million, 6.7%)
- Other receipts (positive \$20.0 million, 7.0%)

**Personal income tax** revenues received in April totaled \$287.6 million, an increase of \$0.3 million (0.1%) compared to April 2006. The withholding receipt portion of personal income tax decreased \$1.9 million (- 1.2%) for the month. Monthly withholding revenue lower than the same month the previous year is rare. Receipts deposited from April 25<sup>th</sup> through the end of the month were significantly lower than last year and lower than any of the previous five years. This may have been caused by processing delays. If that is the case, the situation will reverse in early May.

The FY 2007 REC income tax estimate of \$3.034 billion represents a projected increase of 6.3% compared to actual FY 2006. Year-to-date, total income tax receipts have increased 5.0%. By subcategory, withholding tax payments increased 4.6%, income tax estimate payments increased 14.7%, while payments with returns decreased 4.5%. The following chart compares FY 2007 monthly personal income tax receipts from the three personal income tax subcategories with FY 2006.



**Sales/use tax** receipts received in April totaled \$76.9 million, a decrease of \$3.1 million (- 3.9%) compared to April 2006.

April sales/use receipts were negatively impacted by an increase in local option tax transfers (sales and hotel/motel tax). Local option tax revenue is first deposited to the State General Fund. Near the end of each month, a large transfer is made out of the General Fund. The monthly transfers are made on an estimated basis. This year's April transfers equaled \$41.3 million while last year's April transfers equaled \$35.3 million. Without the excess transfer, April sales/use tax growth would have grown approximately 2.5%.

The REC estimate for FY 2007 sales/use tax receipts is \$1.906 billion, an increase of 1.3% compared to actual FY 2006. Fiscal year-to-date sales/use tax receipts increased 0.4%. The preceding chart compares FY 2007 monthly sales tax receipts with FY 2006.

**Corporate tax** receipts received in April totaled \$48.0 million, a \$15.4 million increase (47.2%) compared to April 2006. Corporate tax receipts have shown strong growth since February 2003. April corporate tax receipts were positively impacted by a significant settlement reflecting tax liability for previous years.

The REC estimate for FY 2007 corporate tax revenue is \$440.5 million, an increase of 26.4% compared to actual FY 2006. Year-to-date corporate tax revenue has increased 37.6%.

**Other tax** receipts received in April totaled \$20.3 million, a \$3.1 million increase (18.0%) compared to April 2006. Insurance premium tax receipts were down \$1.3 million for the month while cigarette

and tobacco tax revenue increased \$4.0 million. The cigarette tax rate increased from \$0.36 per pack to \$1.36 per pack in mid-March.

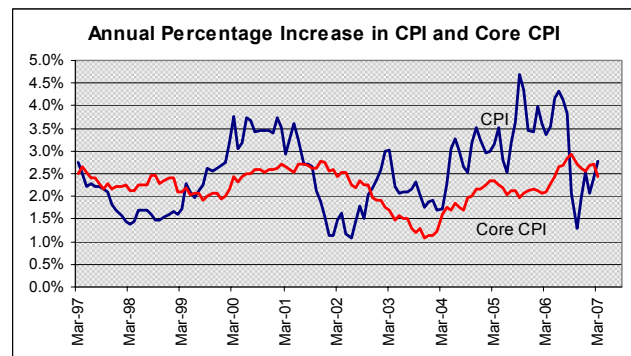
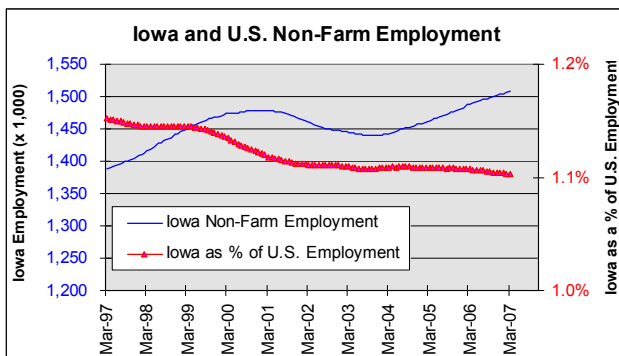
The REC estimate for FY 2007 receipts from other taxes is \$378.8 million, an increase of 10.2% compared to actual FY 2006. Year-to-date other tax receipts have increased 6.7%. Revenue from other taxes will decrease in June when the final fiscal year insurance premium tax payment is due.

**Other receipts** (non-tax receipts) received in April totaled \$38.7 million, a \$13.1 million increase (51.2%) compared to April 2006. A transfer from the Unclaimed Property Fund produced most of the growth for the month of April. Interest income and fee revenue increased for the month. The REC estimate for FY 2007 other receipt revenue is \$350.3 million, an increase of 2.0% compared to actual FY 2006. Year-to-date other receipts have increased 7.0%.

### Status of the Economy

Iowa non-farm employment was reported at 1,502,300 for the month of March (not seasonally adjusted), 17,500 higher (1.2%) than March 2006.

Iowa's 12-month moving average employment is presented in a graph below. The average non-farm employment pre-recession peak was January 2001 (1,478,700), and the recession low was September 2003 (1,439,900). The current average reading is now 1,507,600, so annualized Iowa non-farm employment is 28,900 above its 2001 peak and 67,700 above the 2003 low. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. Iowa's share of national non-farm employment decreased noticeably from 1998 through 2002. The decline has slowed considerably since 2003, but the recent trend is still negative.



Consumer prices increased 0.9% during the month of March (not seasonally adjusted). The Consumer Price Index (CPI-U) through March 2007 was 205.352 (1983/84=100), 2.8% higher than one year ago. The overall inflation rate has generally increased since mid-2004, when the price of oil started to rise significantly.

Core CPI, an inflation measure that excludes food and energy prices, increased 0.4% for March and the year-over-year change was 2.5%. The core inflation rate declined considerably from the early 1990's through March 2004. Since March 2004, inflation as measured by core CPI has more than doubled, moving from 1.2% to 2.5%.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/receipts/daily.html>.

GENERAL FUND RECEIPTS - FY 2006 vs. FY 2007 July 1 through April 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 06 Actual Compared to FY 07 REC Estimate		
	FY 2006	FY 2007	Year to Date % Change	April % Change	Actual FY 2006	Estimate FY 2007	Projected % Change
Personal Income Tax	\$ 2,274.8	\$ 2,389.3	5.0%	0.1%	\$ 2,854.2	\$ 3,033.9	6.3%
Sales/Use Tax	1,492.5	1,497.8	0.4%	-3.9%	1,881.1	1,905.7	1.3%
Corporate Income Tax	233.8	321.7	37.6%	47.2%	348.6	440.5	26.4%
Inheritance Tax	59.4	62.8	5.7%	13.3%	73.1	75.9	3.8%
Insurance Premium Tax	67.5	69.8	3.4%	-92.9%	121.4	116.9	-3.7%
Cigarette Tax	72.5	79.9	10.2%	39.7%	89.5	122.2	36.5%
Tobacco Tax	6.6	8.4	27.3%	1300.0%	9.2	11.6	26.1%
Beer Tax	11.7	11.7	0.0%	0.0%	14.2	14.2	0.0%
Franchise Tax	23.4	24.4	4.3%	6.9%	35.5	36.9	3.9%
Miscellaneous Tax	0.7	1.0	42.9%	-100.0%	0.6	1.0	66.7%
 Total Special Taxes	 \$ 4,242.9	 \$ 4,466.8	 5.3%	 3.8%	 \$ 5,427.4	 \$ 5,758.8	 6.1%
 Institutional Payments	 10.4	 10.4	 0.0%	 116.7%	 13.0	 12.6	 -3.1%
Liquor Profits	46.3	50.3	8.6%	18.9%	63.8	66.8	4.7%
Interest	15.6	26.7	71.2%	75.0%	17.5	29.0	65.7%
Fees	67.1	75.5	12.5%	29.2%	76.2	81.8	7.3%
Judicial Revenue	48.3	53.5	10.8%	8.3%	63.1	64.3	1.9%
Miscellaneous Receipts	38.8	30.1	-22.4%	265.5%	49.7	35.8	-28.0%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
 TOTAL GROSS RECEIPTS	 \$ 4,529.2	 \$ 4,773.2	 5.4%	 6.5%	 \$ 5,770.7	 \$ 6,109.1	 5.9%